

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE JACKSON ENERGY)	
COOPERATIVE CORPORATION FOR AN ORDER)	
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)	
SECTION 11 AND RELATED SECTIONS,)	CASE NO.
AUTHORIZING THE COOPERATIVE TO OBTAIN)	2006-00374
A PERPETUAL LINE OF CREDIT NOT TO EXCEED)	
\$10,000,000.00 AT ANY ONE TIME FROM THE)	
NATIONAL RURAL UTILITIES COOPERATIVE)	
FINANCE CORPORATION)	

O R D E R

On August 4, 2006, Jackson Energy Cooperative Corporation ("Jackson Energy") submitted an application for Commission approval of a perpetual line of credit not to exceed \$10,000,000 at any one time from the National Rural Utilities Cooperative Finance Corporation ("CFC"). The advances from the line of credit will allow Jackson Energy to obtain funds for temporary shortfalls of cash and working capital needs while requests for permanent financing are pending.¹ On August 10, 2006, Jackson Energy filed a statement concerning its trust deed and mortgages, an item required by 807 KAR 5:001, Section 11(2)(b) but which had been omitted from its application. Jackson Energy's application was considered filed as of August 10, 2006.

Jackson Energy currently has a CFC line of credit that was issued for a term of 23 months with an annual pay down provision. The current line of credit will expire on

¹ Jackson Energy stated in its application that it did not anticipate acquiring, constructing, improving, or extending any property or discharging or refunding any obligations with advances from the proposed perpetual line of credit.

August 28, 2006. The proposed CFC perpetual line of credit would replace the current CFC line of credit, and would automatically renew annually with no additional paperwork or labor requirements.² Like the current CFC line of credit, Jackson Energy will be required annually to pay to zero the outstanding amounts on the perpetual line of credit and maintain the zero balance for at least 5 consecutive business days. At no time under the perpetual line of credit can the total advances exceed \$10,000,000.³ The interest rate will be the standard CFC line of credit rate, which will not exceed the Prevailing Bank Prime Rate⁴ plus one percent per annum. CFC approved Jackson Energy's application for the perpetual line of credit on August 3, 2006.⁵

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed perpetual line of credit from CFC is for lawful objects within Jackson Energy's corporate purposes, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

² Application at 4.

³ Jackson Energy stated that the \$10,000,000 level represents approximately 50 percent of the total cost of a two-year work plan. See Application at 4.

⁴ The Prevailing Bank Prime Rate is the bank prime rate published in the "Money Rates" column of the eastern edition of *The Wall Street Journal* on the publication day immediately preceding the day on which an adjustment in the interest rate will become effective. See Application Exhibit 7, page 2 of 7.

⁵ Application Exhibit 4.

IT IS THEREFORE ORDERED that:

1. Jackson Energy is authorized to borrow up to \$10,000,000 from CFC using a perpetual line of credit, subject to the terms and provisions of the perpetual line of credit agreement filed in the record.

2. Jackson Energy is authorized to execute the perpetual line of credit herein authorized.

3. The advances from the transaction authorized herein shall be used only for the lawful purposes set out in Jackson Energy's application. None of the advances of the proceeds authorized herein shall be used to finance the construction of any facilities that require a Certificate of Public Convenience and Necessity under KRS 278.020(1) until such a Certificate has been issued by the Commission.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 24th day of August, 2006.

By the Commission

ATTEST:


Executive Director